

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name LIBERTY TOWNSHIP	County JACKSON
Audit Date 6/30/05	Opinion Date 2/22/06	Date Accountant Report Submitted to State: 3/20/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

MARKOWSKI & COMPANY CPAs

Street Address

2880 SPRING ARBOR RD

City

JACKSON

State

MI

ZIP

49203

Accountant Signature

Markowski & Company

Date

3/20/06

LIBERTY TOWNSHIP
JACKSON COUNTY, MICHIGAN

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2005

LIBERTY TOWNSHIP
ANNUAL FINANCIAL REPORT

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LIBERTY TOWNSHIP
ANNUAL FINANCIAL REPORT

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ANNUAL FINANCIAL REPORT

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MARKOWSKI & COMPANY

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CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

INDEPENDENT AUDITOR'S REPORT

Liberty Township Board
Clarklake, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements, of **Liberty Township, Michigan**, (the "Township") as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

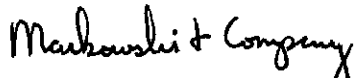
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and budgetary comparisons for the general fund and each major special revenue fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 14, the Township adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Nos. 34, 37 and 38 and GASB Interpretation No. 6 as of and for the year ended June 30, 2005. This results in a change in the format and content of the basic financial statements.

The Township has elected not to present Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be a part of, the basic financial statements.

Independent Auditor's Report
Page Two
Liberty Township Board
Clarklake, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual fund statements described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



MARKOWSKI & COMPANY CPAs
February 22, 2006

LIBERTY TOWNSHIP
GOVERNMENT-WIDE FINANCIAL STATEMENTS

LIBERTY TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2005

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 224,698	\$ 68,962	\$ 293,660
Investments	121,496	-	121,496
Accounts receivable	12,813	-	12,813
Internal balances	(3,520)	3,520	-
Due from other governments	64,173	-	64,173
Special assessments receivable - Current	-	37,379	37,379
Total current assets	419,660	109,861	529,521
NONCURRENT ASSETS:			
Capital assets not being depreciated	52,863	-	52,863
Capital assets being depreciated, net	979,883	-	979,883
Deposits with County	-	1,213,771	1,213,771
Special assessments receivable - Long Term	-	594,646	594,646
Total noncurrent assets	1,032,746	1,808,417	2,841,163
Total assets	1,452,406	1,918,278	3,370,684
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	22,869	-	22,869
Long -term debt payable - Current portion	63,759	55,875	119,634
Accrued interest payable	520	-	520
Accrued payroll	11,795	-	11,795
Deferred revenue	5,000	-	5,000
Total current liabilities	103,943	55,875	159,818
NONCURRENT LIABILITIES:			
Long -term debt payable - Net of current portion	137,040	815,775	952,815
Total liabilities	240,983	871,650	1,112,633
NET ASSETS			
Invested in capital assets, net of related debt	831,747	-	831,747
Restricted by statute	18,012	-	18,012
Restricted for debt service	-	1,046,628	1,046,628
Unrestricted	361,664	-	361,664
Total net assets	\$ 1,211,423	\$ 1,046,628	\$ 2,258,051

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Legislative	\$ 52,160	\$ -	\$ -	\$ -
General government	142,891	10,179	-	-
Public safety	138,383	53,375	-	-
Zoning and planning	7,170	-	-	-
Public works	29,473	-	-	-
Other functions	148	-	-	-
Interest on long term debt	520	-	-	-
Total governmental activities	370,745	63,554	-	-
Business-type activities:				
Sewer	-	-	-	-
Total business-type activities	-	-	-	-
Total government	\$ 370,745	\$ 63,554	\$ -	\$ -

General revenues:
Property taxes
State-shared revenues
Other state revenues
Interest and rental income
Franchise fees
Other income
Total general revenues

Change in net assets
Net assets - Beginning
Net assets - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (52,160)	\$ -	\$ (52,160)
(132,712)	-	(132,712)
(85,008)	-	(85,008)
(7,170)	-	(7,170)
(29,473)	8,640	(20,833)
(148)	-	(148)
(520)	-	(520)
(307,191)	8,640	(298,551)
-	-	-
-	-	-
(307,191)	8,640	(298,551)
98,535	-	98,535
195,989	-	195,989
3,571		
6,276	614	6,890
6,738	-	6,738
57,483	-	57,483
368,592	614	365,635
61,401	9,254	70,655
1,150,022	1,037,374	2,187,396
\$ 1,211,423	\$ 1,046,628	\$ 2,258,051

LIBERTY TOWNSHIP
FUND FINANCIAL STATEMENTS

LIBERTY TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND	FIRE EQUIPMENT	BUILDING DEPARTMENT
ASSETS:			
Cash and cash equivalents	\$ 163,392	\$ 7,237	\$ 33,091
Investments	-	18,573	-
Accounts receivable	-	8,217	-
Due from other funds	6,010	7,114	-
Due from other governments	64,173	-	-
Prepaid expenses	-	-	-
Total assets	<u>233,575</u>	<u>41,141</u>	<u>33,091</u>
LIABILITIES:			
Accounts payable	21,152	-	1,717
Accrued payroll	8,956	-	2,839
Due to other funds	17,892	7,209	5,523
Due to other governments	-	-	-
Deferred revenue	-	-	5,000
Total liabilities	<u>48,000</u>	<u>7,209</u>	<u>15,079</u>
FUND BALANCES:			
Reserved for:			
Building inspection (by state statute)	-	-	18,012
Unreserved	185,575	33,932	-
Total fund balances	<u>\$ 185,575</u>	<u>\$ 33,932</u>	<u>\$ 18,012</u>

The notes to the financial statements are an integral part of this statement.

NONMAJOR GOVERNMENTAL		TOTAL	
\$	20,978	\$	224,698
	102,923		121,496
	4,109		12,326
	14,467		27,591
	-		64,173
	-		-
	142,477		450,284
	-		22,869
	-		11,795
	-		30,624
	-		-
	-		5,000
	-		70,288
	-		18,012
	142,477		361,984
\$	142,477	\$	379,996

LIBERTY TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balance - total governmental funds	\$ 379,996
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	
Add - Capital assets	1,577,104
Deduct - Accumulated depreciation	(544,358)
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
	(200,799)
Interest on long term debt is reported on the accrual basis in the government-wide statements; unpaid interest not due during the current period is not reported on the governmental fund statements.	
	<u>(520)</u>
Net assets of governmental activities	<u><u>\$ 1,211,423</u></u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
THE YEAR ENDED JUNE 30, 2005

	GENERAL FUND	FIRE EQUIPMENT	BUILDING DEPARTMENT
REVENUES:			
Taxes and penalties	\$ 98,535	\$ -	\$ -
Licenses and permits	7,988	-	53,375
Intergovernmental	199,560	-	-
Charges for service	10,179	-	-
Interest and rentals	3,131	993	132
Other	6,927	32,871	-
Total revenues	<u>326,320</u>	<u>33,864</u>	<u>53,507</u>
EXPENDITURES:			
Current:			
Legislative	52,160	-	-
General government	132,838	31	-
Public safety	64,430	-	48,316
Zoning and planning	7,170	-	-
Public works	66,833	-	-
Other functions	148	-	-
Capital outlay	3,100	232,415	150
Total expenditures	<u>326,679</u>	<u>232,446</u>	<u>48,466</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(359)</u>	<u>(198,582)</u>	<u>5,041</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in (out)	12,500	-	-
Proceeds from long term debt	-	75,000	-
Total other financing sources (uses)	<u>12,500</u>	<u>75,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	12,141	(123,582)	5,041
FUND BALANCE - Beginning of year	<u>173,434</u>	<u>157,514</u>	<u>12,971</u>
FUND BALANCE - End of year	<u>\$ 185,575</u>	<u>\$ 33,932</u>	<u>\$ 18,012</u>

The notes to the financial statements are an integral part of this statement.

NONMAJOR GOVERNMENTAL		TOTAL
\$	-	\$ 98,535
	-	61,363
	-	199,560
	-	10,179
	2,020	6,276
	16,435	56,233
	18,455	432,146

	-	52,160
	-	132,869
	-	112,746
	-	7,170
	-	66,833
	-	148
	-	235,665
	-	607,591

	18,455	(175,445)
--	--------	-----------

	(12,500)	-
	-	75,000
	(12,500)	75,000

	5,955	(100,445)
	136,522	330,948
\$	142,477	\$ 230,503

LIBERTY TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds \$ (100,445)

Amounts reported for governmental activities in the statement of activities
are different because:

Government funds report capital outlay as expenditures. However, in the
government wide statement of activities and changes in net assets, the
cost of those assets is allocated over their estimated useful lives as
depreciation expense. This is the amount of capital assets purchased in
the current period. 235,516

Depreciation expense on capital assets is reported in the government-wide
statement of activities and changes in net assets, but they do not require
the use of current financial resources. Therefore, depreciation expense is not
reported as an expenditure in governmental funds. (60,650)

Proceeds from long-term debt are reported as revenue in the governmental
fund financial statements; the long term debt is reported as a liability
in the government-wide statements. (75,000)

Interest on long term debt is reported as an expenditure when paid; the
government-wide statements accrue the interest payable between
the scheduled payments. The current year change in accrued interest payable is (520)

The payments of long term debt consumes the current financial resources of
governmental funds, and is reported as an expenditure. These payments reduce
the liability on the government-wide financial statements. 62,500

Change in net assets of governmental activities \$ 61,401

The notes to the financial statements are an integral part of this statement.

**LIBERTY TOWNSHIP
PROPRIETARY FUND
STATEMENT OF NET ASSETS
JUNE 30, 2005
(WITH COMPARATIVE TOTALS FROM JUNE 30, 2004)**

	<u>SEWER FUND</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 68,962
Assessments receivable - Current portion	37,379
Due from other funds	<u>3,520</u>
Total current assets	<u>109,861</u>
Noncurrent Assets:	
Assessments receivable - Noncurrent portion	594,646
Deposits with County	<u>1,213,771</u>
Total noncurrent assets	<u>1,808,417</u>
 Total assets	 <u>1,918,278</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	-
Capital lease - Current portion	<u>55,875</u>
Total current liabilities	<u>55,875</u>
Noncurrent Liabilities:	
Capital lease - Noncurrent portion	<u>815,775</u>
Total noncurrent liabilities	<u>815,775</u>
 Total liabilities	 <u>871,650</u>
<u>NET ASSETS</u>	
Invested in Capital Assets - Net of Related Debt	-
Restricted for Debt Service	1,046,628
Unrestricted	<u>-</u>
 Total net assets	 <u>\$ 1,046,628</u>

The notes to the financial statements are an integral part of this statement.

**LIBERTY TOWNSHIP
PROPRIETARY FUND**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS
THE YEAR ENDED JUNE 30, 2005

	SEWER FUND
OPERATING REVENUES:	
Sewage disposal services	\$ -
Penalties and interest charges	-
Total operating revenues	-
OPERATING EXPENSES:	
Personal services	-
Contractual services	-
Depreciation	-
Total operating expenses	-
OPERATING INCOME (LOSS)	-
NONOPERATING REVENUES (EXPENSES)	
Interest income	629
Miscellaneous expense	(15)
Total nonoperating revenue (expense)	614
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS IN (OUT)	614
Capital contributions	8,640
Transfers In (Out)	-
CHANGE IN NET ASSETS	9,254
NET ASSETS - Beginning of year	1,037,374
FUND BALANCE - End of year	\$ 1,046,628

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
PROPRIETARY FUND STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

	SEWER FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ -
Payments to suppliers	-
Other receipts (payments)	-
Net cash provided (used) by operating activities	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating subsidies and transfers to other funds	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from capital debt	-
Capital contributions	-
Payments received on special assessments	84,375
Payment to County construction fund	(88,484)
Principal and interest paid on capital debt	-
Net cash provided (used) by capital and related financing activities	(4,109)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	-
Interest and dividends	629
Bank charges	(15)
Net cash provided (used) by investing activities	614
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,495)
BALANCES - BEGINNING OF YEAR	72,457
BALANCES - END OF YEAR	\$ 68,962

NONCASH TRANSACTIONS:

The County issued bonds to finance the construction of the sewer system. Under various contracts, Liberty Township is obligated under a capital lease for amounts equal to the County bond payments. The proceeds from the bonds, held at the County, are reported by Liberty Township as part of Deposits with County; the capital lease is reported as a liability. The Township did not receive or pay any cash under these contracts during the year ended June 30, 2005.

The Township allowed a new user to spread their capital contributions over the remaining period of the original assessments. This \$8,640 increased assessments receivable and capital contributions revenue.

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
FIDUCIARY FUNDS - AGENCY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2005

	PENSION TRUST FUND	AGENCY FUND TYPES
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	\$ 7,585
Investments	63,449	-
Accounts receivable	12,885	-
Due from other funds	-	12
Due from other governments	-	-
	<hr/>	<hr/>
Total assets	76,334	\$ 7,597
<u>LIABILITIES</u>		
Accounts payable	-	\$ -
Accrued payroll	-	-
Due to other funds	-	785
Due to other governments	-	6,812
Deferred revenue	-	-
	<hr/>	<hr/>
Total liabilities	-	\$ 7,597
<u>NET ASSETS</u>		
Held in trust for pension benefits	<hr/> <u>\$ 76,334</u>	

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
THE YEAR ENDED JUNE 30, 2005

	PENSION TRUST FUND
ADDITIONS:	
Interest and investment earnings	\$ 3,982
Employer contributions	12,885
Employee contributions	-
Total additions	<u>16,867</u>
DEDUCTIONS:	
Administration	-
Benefits	33,991
Refunds	-
Total deductions	<u>33,991</u>
CHANGE IN NET ASSETS	(17,124)
NET ASSETS - Beginning of year	<u>93,458</u>
NET ASSETS - End of year	<u><u>\$ 76,334</u></u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

LIBERTY TOWNSHIP
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LIBERTY TOWNSHIP
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LIBERTY TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

The accounting methods and procedures adopted by Liberty Township conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Township's general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. DESCRIPTION OF TOWNSHIP OPERATIONS:

Liberty Township is located in the southern section of Jackson County, Michigan. The Township was organized under the Constitution and Statutes of the State of Michigan and provides services to its approximately 3,000 residents in many areas, including fire protection, community planning, cemetery services, and general administrative services.

B. REPORTING ENTITY:

Liberty Township is a municipal corporation governed by an elected five member board. As required by generally accepted accounting principles, these financial statements present the Township and all entities for which the government is considered financially accountable (component units). Liberty Township had no component units during the year ended June 30, 2005.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as a separate column in the fund financial statements.

LIBERTY TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

The Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Equipment Special Revenue Fund* accounts for revenues set aside by the Township Board to finance the purchase of fire capital equipment. These revenues include 2/3 of the impact fee paid by a landfill located within the Township, grants, and transfers from the General Fund.

The *Building Department Special Revenue Fund* accounts for all activities of the building department. This fund was established to facilitate compliance with Michigan Public Act 245 of 1999, which requires that fees charged bear a reasonable relationship to the costs of operating a building department.

LIBERTY TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

The Township reports the following nonmajor funds:

The *Central Complex Special Revenue Fund* accounts for 1/3 of the impact fee paid by a landfill located within the Township. This money has been designated to finance the construction of a township hall/fire station complex in a location closer to the center of the Township.

The *Improvement Revolving Special Revenue Fund* accounts for all resources set aside for future capital improvements.

The Township reports the following major proprietary funds:

The Sewer Fund is used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The Township also reports the following fund types:

The *Pension Trust Fund* accounts for the activity of the Township's defined contribution retirement plan, which accumulates resources for retirement benefit payments to qualified Township employees.

The *Agency Funds – Current Tax and Employee Withholding Funds* – account for assets held for other governments and individuals in an agency capacity.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards issued by the GASB. The Township has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes levied by the Township.

LIBERTY TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Township's proprietary fund relates to charges to customers for services provided. The Sewer Fund also recognizes the portion of tap on fees intended to recover current costs (e.g. the labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as capital grants and contributions. Operating costs for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is generally the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

E. ASSETS, LIABILITIES, AND NET ASSETS/EQUITY

1. DEPOSITS AND INVESTMENTS

The Township reports cash on hand, demand deposit bank accounts, short term investments with an original maturity of three months or less from the date of acquisition as *cash and cash equivalents*. Financial instruments not meeting these criteria are reported as *investments*. The Township reports investments at their fair value.

2. RECEIVABLES AND PAYABLES

In general, outstanding balances between funds are reported as "due to/from other funds", or internal balances. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

The Township has not established a reserve for uncollectible accounts based on its past experience.

LIBERTY TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES: (Continued)

E. ASSETS, LIABILITIES, AND NET ASSETS/EQUITY (Cont.)

3. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by Township policy as assets with an individual cost or value of \$1,000 or more when acquired and a useful three years or more. Purchased assets are recorded at their actual costs. Donated capital assets are reported at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Land and Improvements	10-20
Building and Improvements	10-40
Sewer and Systems	10-50
Machinery and equipment	5-20
Office Equipment	5
Vehicles	5-20
Intangible assets	20

Depreciation is allocated to the appropriate function in the government-wide financial statements. Assets such as the municipal building, which is a multi-function facility, are allocated to the general government function.

4. DEFERRED REVENUE:

Deferred revenue is reported in the special revenue funds to report a construction security deposit paid to the Township by a resident.

LIBERTY TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:(Continued)

E. ASSETS, LIABILITIES, AND NET ASSETS/EQUITY (Continued)

5. LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other obligations are reported as liabilities in the appropriate governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, as expenditures during the period incurred. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are recognized as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

6. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation (e.g. prepaid expenses) or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. COMPARATIVE DATA

Comparative data for the prior year has been presented in the individual fund financial statements included in the accompanying additional information in order to facilitate analysis of the fund's financial position and results of operations. This information was taken from the audited financial statements for the year ended June 30, 2004.

8. ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LIBERTY TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. BUDGETARY INFORMATION:

Formal budgetary integration is employed as a management control device during the year for the General Fund and all Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amounts included in the financial statements are as originally adopted, and the final amended budget adopted by the Township Board. Budget amendments may be adopted by a simple majority vote of the Board at any open meeting of the Board. All appropriations lapse at the end of the fiscal year.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Public Act #621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. In the body of the financial statements, the Township's actual and budgeted expenditures for the budgetary funds (General Operating and Special Revenue Funds) have been shown on a functional basis. The approved budgets of the Township for these funds were adopted to the departmental level. For the year ended June 30, 2005, the Township incurred expenditures in the budgetary funds which were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Capital Outlay	\$ -	\$ 3,100	\$ (3,100)
Fire Equipment Fund:			
Total expenditures	-	232,446	(232,446)
Improvement Revolving Funds:			
Transfers out	-	12,500	(12,500)
Building Department Fund:			
Building Inspection	21,836	26,551	(4,715)
Electrical Inspection	3,200	7,583	(4,383)
Plumbing Inspection	2,800	5,773	(2,973)
Mechanical Inspection	3,440	3,927	(487)
Site Reviews	3,206	4,482	(1,276)

LIBERTY TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - CASH AND INVESTMENTS:

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 293,660
Investments	121,496
Fiduciary Funds:	
Cash and cash equivalents	7,585
Investments	63,449
	<u>\$ 486,190</u>

State statutes and Township policy authorize the Township to deposit and invest in the accounts of Federally insured banks; insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority and Township policy.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Township minimizes this risk by investing in shorter term securities and holding them to maturity.

The investments at June 30, 2005 consist of certificates of deposit with original maturities of more than 90 days, and various investments held by the Pension Trust Fund.

Concentration of Credit Risk

The Township's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law. The cash accounts are held at two local financial institutions. \$101,855 of the cash is covered by FDIC insurance; the remaining \$198,990 is uninsured.

LIBERTY TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – CASH AND INVESTMENTS: (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized; collateralized with securities held by the pledging financial institution; or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Township's name.

The custodial credit risk for investments is that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies.

Cash and cash equivalents of the Township can be categorized as follows:

	Carrying Amount	Bank Balance
Cash on hand	\$ 400	\$ -
Insured (FDIC)	101,855	101,855
Uninsured and uncollateralized	198,990	202,494
	<u>\$ 301,245</u>	<u>\$ 304,349</u>
Reported in financial statements:		
Governmental Funds	\$ 224,698	
Proprietary Funds (Business-type)	68,962	
Fiduciary Funds	7,585	
	<u>\$ 301,245</u>	

Investments of the Pension Trust Fund have not been categorized for disclosure purposes.

LIBERTY TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - INTERFUND RECEIVABLES AND TRANSFERS:

The amount of interfund receivables and payables at June 30, 2005 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General Fund	\$ 6,010	Building Department Fund	\$ 5,523
		Current Tax Fiduciary Fund	487
	<u>6,010</u>		<u>6,010</u>
Fire Equipment Fund	<u>4</u>	Fire Capital Equipment Fund	<u>4</u>
Central Complex Fund	645	General Fund	550
		Fire Equipment Fund	95
	<u>645</u>		<u>645</u>
Improvement Revolving Fund	<u>13,822</u>	General Fund	<u>13,822</u>
Sewer Fund	<u>3,520</u>	General Fund	<u>3,520</u>
Current Tax Fiduciary Fund	487	General Fund	487
	<u>\$ 23,843</u>		<u>\$ 23,843</u>

Operating transfers during the year ended June 30, 2005 consisted of Improvement Revolving Fund transferring \$12,500 to the General Fund to finance the Gates Rd. bridge reconstruction.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year is summarized below:

Asset Category	Balance 6/30/04	Additions	Disposals	Balance 6/30/05
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 52,863	\$ -	\$ -	\$ 52,863
Capital assets, being depreciated:				
Land improvements	48,722	-	-	48,722
Building and improvements	214,939	3,100	-	218,039
Fire equipment	133,424	7,683	-	141,107
Fire vehicles	293,872	224,733	-	518,605
Office equipment	51,718	-	-	51,718
Intangible assets	459,550	86,500	-	546,050
Total capital assets being depreciated	<u>1,202,225</u>	<u>322,016</u>	<u>-</u>	<u>1,524,241</u>

LIBERTY TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS: (Continued)

Asset Category	Balance 6/30/04	Additions	Disposals	Balance 6/30/05
Governmental Activities: (Continued)				
Less - Accumulated Depreciation:				
Land improvements	\$ (25,716)	\$ (2,192)	\$ -	\$ (27,908)
Building and improvements	(127,319)	(4,029)	-	(131,348)
Fire equipment	(51,885)	(11,844)	-	(63,729)
Vehicles	(150,214)	(10,686)	-	(160,900)
Office equipment	(24,049)	(6,759)	-	(30,808)
Intangible assets	(104,525)	(25,140)	-	(129,665)
Total accumulated depreciation	(483,708)	(60,650)	-	(544,358)
Total capital assets being depreciated, net	718,517	261,366	-	979,883
Capital assets, net	\$ 771,380	\$ 261,366	\$ -	\$ 1,032,746

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 10,022
Public Safety	25,488
Public Works	25,140
Total depreciation expense, governmental activities	\$ 60,650

The intangible assets consist of the Township portion of road and bridge projects. These infrastructure assets are owned by the Jackson County Road Commission. However, because the Township residents benefit from projects which would not have been completed without Township participation, the value is capitalized and amortized over their estimated useful life of twenty years.

NOTE 6 - DEPOSITS WITH COUNTY:

The Township, along with Hanover Township, is participating in the construction of a sewer disposal system in the Farwell/Round Lake section of the Township. In order to obtain the best financing for the project, the townships have contracted with Jackson County to construct the system, and lease it back to the townships.

At this point, the Township has deposited special assessment collections from residents with the County. The Township's portion of construction debt proceeds are also reported as a deposit with the County. Upon completion of construction, the construction costs paid with debt proceeds will be capitalized and depreciated.

LIBERTY TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - SPECIAL ASSESSMENTS RECEIVABLE:

The Township allowed residents within the special assessment districts the option of paying over a twenty year period. Interest is charged at 1% over the average bond rate. No allowance for uncollectible accounts has been established as the assessments create a first lien against the assessed property. Past experience has indicated that the receivable will be completely collected.

NOTE 8 - LONG-TERM DEBT:

The Township used Installment purchase agreements to finance a portion of a fire/rescue apparatus is also a general obligation of the Township.

In an effort to improve roads within the township, the Township has participated in the Jackson County Road Commission Township Road Agreement program. This program allows the Township to finance improvements over a three to five year period, and provides for matching funds from the Road Commission. The agreement only calls for interest if the five year payment plan is selected. Liberty Township has always selected the three year payment plan.

The Township also financed the construction of sewer system assets through contractual agreements with Jackson County, Michigan. These agreements required the Township to pledge revenues generated by its sewer systems for repayment of the debt. Special assessments have been levied to provide the Township with the necessary cash flow to service these agreements.

Further detail of Township debt obligations follows:

A. GOVERNMENTAL ACTIVITIES LONG-TERM DEBT:

Installment Purchase Agreement

During 2005, the Township entered into an installment purchase agreement with the manufacturer of fire apparatus, which immediately sold the agreement to a bank. The Township financed \$75,000 of the purchase price of its fire apparatus. The terms of the agreement call for fixed quarterly principal and interest payments of \$4,158 for five years, with interest on the unpaid balance at 3.90%. The Township intends to finance this debt with future impact fees received from a landfill located within the township.

Township Road Agreements

The Township currently is financing the grade and gravel and subsequent paving of a two mile stretch of Vicary Rd. with the Jackson County Road Commission. There is no interest charged on this agreement. The Road Commission tries to arrange the project funding so that the Township owes \$50,000 annually (as that is the maximum amount the Road Commission will provide matching funds on), which is billed in October. There are currently two installments of \$50,000 due in October 2005 and 2006, and a final payment of \$25,799 due in October 2007 under these agreements.

LIBERTY TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT: (Continued)

B. BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT:

Capital Leases Payable

The Township has financed the construction of sewer disposal facilities through the County of Jackson under lease obligations, jointly with Hanover Township. The County has issued bonds and will supervise the construction of the facilities. The Townships lease the facilities, with payments due semi-annually in amounts necessary to cover the County's debt service requirements on the underlying bonds.

The agreement covers the Round/Farwell Lake section sewer project accounted for in Sewer Fund. This project encompasses parts of two townships. Liberty Township is responsible for 22.35% of the total construction bonds issued by the County (120 residential equivalent units of the 535 total in the project). This total, \$871,650, has been recognized, along with a deposit due from Jackson County. Upon completion of construction, capital assets will be established. The Township will finance repayment of the lease through a special assessment levied upon benefiting property owners (see Note 6).

The following is a summary of the Township's general long-term debt transactions for the year ended June 30, 2005:

<u>Capital Lease Payable</u>	<u>Balance 6/30/04</u>	<u>New Issues</u>	<u>Payments</u>	<u>Balance 6/30/05</u>
Governmental Activities Long-Term Debt:				
Installment Purchase Agreement:				
2005 Fire Truck Purchase	\$ -	\$ 75,000	\$ -	\$ 75,000
Township Road Agreements	101,799	86,500	(62,500)	125,799
Total governmental activities	<u>\$ 101,799</u>	<u>\$ 161,500</u>	<u>\$ (62,500)</u>	<u>\$ 200,799</u>
Business-Type Long-Term Debt:				
Capital Leases Payable:				
Round/Farwell Lake	<u>\$ -</u>	<u>\$ 871,650</u>	<u>\$ -</u>	<u>\$ 871,650</u>

LIBERTY TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT: (Continued)

Presented below is a summary of debt service requirements to maturity by years:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 63,759	\$ 2,872	\$ 55,875	\$ 35,935
2007	64,420	2,212	55,875	29,125
2008	40,794	1,637	55,875	27,449
2009	15,600	1,031	50,288	25,772
2010	16,226	405	50,287	24,264
2011-2015	-	-	251,438	97,054
2016-2020	-	-	251,437	50,288
2021-2025	-	-	100,575	6,034
	<u>\$ 200,799</u>	<u>\$ 8,157</u>	<u>\$ 871,650</u>	<u>\$ 295,921</u>

NOTE 9 - FUND EQUITY:

Board action and requirements of generally accepted accounting principles have reserved and designated portions of fund equity in certain funds, indicating the amount not available for funding current year's activities. These can be summarized as follows:

	General Fund	Special Revenue Funds	Fiduciary Funds	Total
Reserved:				
Restricted by statute	\$ -	\$ 18,012	\$ -	\$ 18,012
For Employee pensions	-	-	76,334	76,334
	<u>\$ -</u>	<u>\$ 18,012</u>	<u>\$ 76,334</u>	<u>\$ 94,346</u>

NOTE 10 - PROPERTY TAXES:

Real and personal property taxes are levied on December 1st of each year, and are due to the Township by the last day of the following February. The Township is responsible for assessing, collecting and distributing property taxes in accordance with State law. Delinquent real property taxes are paid to the Township by Jackson County. Therefore, the General Fund reflects as revenues the full amount of real taxes levied during the year. The personal property taxes are reflected as revenues in the year collected, which does not materially differ from the full accrual method of revenue recognition.

The Township's operating tax rate for the year ended June 30, 2005 (the 2004 tax levy) was .76420 mills, levied on property with a Taxable Value of \$89.6 million

LIBERTY TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - PENSION PLAN:

The Liberty Township Group Pension Plan is a single employer public employee retirement system that administers the Township's defined contribution pension plan for all full-time salaried or clerical employees.

The financial statements of the Plan are included as a fiduciary fund of the Township. The Township is the only contributor to the pension plan. As of June 30, 2005, the pension plan's current membership was 19 (all active).

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depends solely on the amount contributed to the participant's account and the returns earned on investments of these contributions. Contributions by the Township vest immediately. The Township is required to contribute an amount equal to 11%. Contributions are not reduced by plan charges.

During the year, the Township's required and actual contributions amounted to \$12,885, which was 11.0% of its current-year covered payroll.

Total payroll for the fiscal year ending June 30, 2004 was \$420,467 and total payroll subject to retirement benefits was \$269,837.

The pension plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

NOTE 12 - SEGMENT INFORMATION:

The Township maintains one Enterprise Fund, which provides sanitary sewage disposal services to a portion of Township residents. Because there is only one fund, segment disclosures are not required.

NOTE 13 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2005, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded commercial insurance coverage amounts in any of the past three fiscal years.

LIBERTY TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – ACCOUNTING CHANGES:

As of and for the year ended June 30, 2005, the Township implemented the following GASB pronouncements:

GASB Statements:

No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*

No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*

No. 38 – *Certain Financial Statement Note Disclosures*

GASB Interpretations:

No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are being phased in (based on the size of the government) through fiscal years ending in 2005. The Township was required to implement these no later than its fiscal year ending June 30, 2004.

The more significant changes required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Notes to the basic financial statements;
 - Required supplementary information, including certain budgetary schedules.

LIBERTY TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – ACCOUNTING CHANGES: (Continued)

As a result of implementing these pronouncements for the fiscal year ended June 30, 2005, the following restatements were made to beginning fund balance and net asset accounts:

Governmental Activities

The beginning net assets for governmental activities reported in the government-wide financial statements were determined as follows:

Fund balances of general, special revenue, and debt service funds as of 6/30/04, restated	\$ 480,441
Add: Governmental capital assets as of 6/30/04	1,255,088
Deduct: Accumulated depreciation as of 6/30/04 on above capital assets	(483,708)
Long-term debt payable as of 6/30/04	<u>(101,799)</u>
Governmental net assets, restated, 7/1/04	<u>\$ 1,150,022</u>

Business-Type/Proprietary Funds

The beginning net assets of the enterprise (proprietary) fund for the fiscal year ending June 30, 2005 were derived by aggregating the previously reported retained earnings and contributed capital of that fund.

LIBERTY TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED
BEGINNING FUND BALANCE	\$ 173,434	\$ 173,434	\$ 173,434	\$ -
RESOURCES (INFLOWS):				
Taxes	96,943	96,943	98,535	1,592
Licenses and permits	10,000	10,000	7,988	(2,012)
Intergovernmental	201,570	201,570	199,560	(2,010)
Charges for services	13,480	13,480	10,179	(3,301)
Interest and rentals	2,850	2,850	3,131	281
Other	4,200	4,200	6,927	2,727
Proceeds from long term debt	-	-	-	-
Operating transfers in	13,858	13,858	12,500	(1,358)
Amounts available for appropriation	516,335	516,335	512,254	(4,081)
CHARGES TO APPROPRIATIONS:				
Legislative	58,808	58,808	52,160	6,648
General government	150,950	150,950	132,838	18,112
Public safety	65,654	76,654	64,430	12,224
Zoning and planning	10,650	10,650	7,170	3,480
Public works	67,400	67,400	66,833	567
Other functions	2,000	2,000	148	1,852
Capital Outlay	-	-	3,100	(3,100)
Total charges to appropriations	355,462	366,462	326,679	39,783
BUDGETARY FUND BALANCE - JUNE 30, 2005	<u>\$ 160,873</u>	<u>\$ 149,873</u>	<u>\$ 185,575</u>	<u>\$ 35,702</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
FIRE EQUIPMENT SPECIAL REVENUE FUND
THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED
BEGINNING FUND BALANCE	\$ 157,514	\$ 157,514	\$ 157,514	\$ -
RESOURCES (INFLOWS):				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest and rentals	1,265	1,265	993	(272)
Other	20,000	20,000	32,871	12,871
Proceeds from long term debt	-	-	75,000	75,000
Operating transfers in	-	-	-	-
Amounts available for appropriation	178,779	178,779	266,378	87,599
CHARGES TO APPROPRIATIONS:				
Legislative	-	-	-	-
General government	-	-	31	(31)
Public safety	-	-	-	-
Zoning and planning	-	-	-	-
Public works	-	-	-	-
Other functions	-	-	-	-
Capital Outlay	-	-	232,415	(232,415)
Total charges to appropriations	-	-	232,446	(232,446)
BUDGETARY FUND BALANCE - JUNE 30, 2005	\$ 178,779	\$ 178,779	\$ 33,932	\$ (144,847)

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
BUILDING DEPARTMENT FUND
THE YEAR ENDED JUNE 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED
BEGINNING FUND BALANCE	\$ 12,971	\$ 12,971	\$ 12,971	\$ -
RESOURCES (INFLOWS):				
Taxes	-	-	-	-
Licenses and permits	35,990	35,990	53,375	17,385
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest and rentals	-	-	132	132
Other	-	-	-	-
Proceeds from long term debt	-	-	-	-
Operating transfers in	-	-	-	-
Amounts available for appropriation	48,961	48,961	66,478	17,517
CHARGES TO APPROPRIATIONS:				
Legislative	-	-	-	-
General government	-	-	-	-
Public safety	34,482	34,482	48,316	(13,834)
Zoning and planning	-	-	-	-
Public works	-	-	-	-
Other functions	-	-	-	-
Capital Outlay	150	150	150	-
Total charges to appropriations	34,632	34,632	48,466	(13,834)
BUDGETARY FUND BALANCE - JUNE 30, 2005	\$ 14,329	\$ 14,329	\$ 18,012	\$ 3,683

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
ADDITIONAL INFORMATION

LIBERTY TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	CENTRAL COMPLEX	IMPROVEMENT REVOLVING	TOTAL
<u>ASSETS</u>			
Cash and cash equivalents	\$ 19,122	\$ 1,856	\$ 20,978
Investments	64,377	38,546	102,923
Accounts receivable	4,109	-	4,109
Due from other funds	645	13,822	14,467
Due from other governments	-	-	-
Total assets	<u>\$ 88,253</u>	<u>\$ 54,224</u>	<u>\$ 142,477</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Due to other funds	-	-	-
Due to other governments	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND EQUITY</u>			
Fund balance - Designated	88,253	-	88,253
Fund balance - Unreserved	-	54,224	54,224
Total fund equity	<u>88,253</u>	<u>54,224</u>	<u>142,477</u>
Total liabilities and fund equity	<u>\$ 88,253</u>	<u>\$ 54,224</u>	<u>\$ 142,477</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
THE YEAR ENDED JUNE 30, 2005

	CENTRAL COMPLEX	IMPROVEMENT REVOLVING	TOTAL
REVENUES:			
Interest	\$ 854	\$ 1,166	\$ 2,020
Other	16,435	-	16,435
Total revenues	<u>17,289</u>	<u>1,166</u>	<u>18,455</u>
EXPENDITURES:			
Current: General Government-			
Miscellaneous	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	17,289	1,166	18,455
TRANSFERS (TO) FROM OTHER FUNDS	-	(12,500)	(12,500)
EXCESS OF REVENUES AND TRANSFERS IN OVER EXPENDITURES	17,289	(11,334)	5,955
FUND BALANCE - Beginning of year	<u>70,964</u>	<u>65,558</u>	<u>136,522</u>
FUND BALANCE - End of year	<u>\$ 88,253</u>	<u>\$ 54,224</u>	<u>\$ 142,477</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP

INDIVIDUAL FUND FINANCIAL STATEMENTS

Fund financial statements are presented (with prior year amounts for comparative purposes) to facilitate further analysis of Liberty Township's finances.

GENERAL FUND

SPECIAL REVENUE FUNDS:

- FIRE EQUIPMENT FUND**
- CENTRAL COMPLEX FUND**
- IMPROVEMENT REVOLVING FUND**
- BUILDING DEPARTMENT FUND**

ENTERPRISE FUND - SEWER FUND

FIDUCIARY FUNDS:

- PENSION FUND**
- EMPLOYEE WITHHOLDING TAX FUND**
- CURRENT TAX FUND**

LIBERTY TOWNSHIP
INDIVIDUAL FUND FINANCIAL STATEMENTS
GENERAL FUND

LIBERTY TOWNSHIP
GENERAL FUND
BALANCE SHEET
JUNE 30, 2005
(WITH COMPARATIVE TOTALS FROM JUNE 30, 2004)

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 163,392	\$ 127,701
Investments	-	-
Accounts receivable	-	-
Due from other funds	6,010	6,207
Due from other governments	64,173	65,952
Prepaid expenses	-	23,468
	<hr/>	<hr/>
Total assets	<u>\$ 233,575</u>	<u>\$ 223,328</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 21,152	\$ 13,677
Accrued payroll	8,956	9,007
Due to other funds	17,892	27,210
Due to other governments	-	-
	<hr/>	<hr/>
Total liabilities	<u>48,000</u>	<u>49,894</u>
<u>FUND EQUITY AND OTHER CREDITS</u>		
Fund balance - Designated	-	-
Fund balance - Reserved	-	23,468
Fund balance - Unreserved and undesignated	185,575	149,966
	<hr/>	<hr/>
Total fund equity	<u>185,575</u>	<u>173,434</u>
	<hr/>	<hr/>
Total liabilities and fund equity	<u>\$ 233,575</u>	<u>\$ 223,328</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE ACTUAL TOTALS FROM JUNE 30, 2004)

	THE YEAR ENDED JUNE 30, 2005			2004 ACTUAL
	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	
REVENUES:				
Taxes:				
Current property	\$ 68,643	\$ 68,443	\$ (200)	\$ 64,412
Delinquent personal property taxes	-	67	67	240
Trailer park taxes	300	204	(96)	228
Administrative fee	26,000	26,132	132	23,181
Interest and penalties	2,000	3,689	1,689	2,552
Total taxes	96,943	98,535	1,592	90,613
Licenses and permits:				
Animal licenses	-	-	-	48
Conditional use and variance fees	4,000	1,250	(2,750)	4,425
Cable television fees	6,000	6,738	738	5,983
Total licenses and permits	10,000	7,988	(2,012)	10,456
Intergovernmental:				
State Revenue Sharing	198,000	195,989	(2,011)	196,382
Metro Act	3,570	3,571	1	1,009
Total intergovernmental	201,570	199,560	(2,010)	197,391
Charges for services:				
Summer tax collection	6,900	6,955	55	6,890
Grave openings/marker bases	3,780	1,320	(2,460)	5,851
Cemetery admin fees	1,300	40	(1,260)	2,568
Fax and information requests	1,500	1,864	364	1,812
Total charges for services	13,480	10,179	(3,301)	17,121
Interest and rentals:				
Interest income	850	1,991	1,141	1,493
Township hall and lodge rental	2,000	1,140	(860)	1,075
Total interest and rentals	\$ 2,850	\$ 3,131	\$ 281	\$ 2,568

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE ACTUAL TOTALS FROM JUNE 30, 2004)

	THE YEAR ENDED JUNE 30, 2005			2004 ACTUAL
	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	
REVENUES: (Continued)				
Other revenue:				
Miscellaneous	\$ 200	\$ 6,585	\$ 6,385	\$ 372
Sale of fixed assets	1,000	40	(960)	2,000
Refunds and reimbursements	3,000	302	(2,698)	15,554
Total other revenue	4,200	6,927	2,727	17,926
 Total revenues	 329,043	 326,320	 (2,723)	 336,075
EXPENDITURES:				
Current:				
Legislative - Township Board:				
Salaries and wages:				
Board wages	5,000	2,964	2,036	3,078
Clerical	7,800	8,694	(894)	9,286
Office manager	-	-	-	1,034
Total salaries and wages	12,800	11,658	1,142	13,398
Payroll taxes	1,200	894	306	971
Retirement contributions	1,408	1,407	1	1,521
Office supplies	2,800	3,727	(927)	4,010
Professional and contractual services	8,500	5,214	3,286	15,195
Clean up contractual services	2,000	1,913	87	2,004
Conferences and workshops	1,000	600	400	-
Insurance and bonds	13,500	17,196	(3,696)	14,017
Memberships/dues/mileage	7,000	2,777	4,223	6,528
Printing and publishing	3,100	3,382	(282)	2,929
Repairs and maintenance - Office	1,000	767	233	-
Equipment/software/training	4,000	2,625	1,375	1,332
Newsletter	500	-	500	879
Total Legislative - Township Board	\$ 58,808	\$ 52,160	\$ 6,648	\$ 62,784

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE ACTUAL TOTALS FROM JUNE 30, 2004)

	THE YEAR ENDED JUNE 30, 2005			2004 ACTUAL
	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	
EXPENDITURES: (Continued)				
General Government:				
Supervisor's Office -				
Salaries and wages	\$ 10,428	\$ 10,418	\$ 10	\$ 10,432
Payroll taxes	1,000	643	357	391
Retirement contributions	1,100	1,689	(589)	1,148
Office supplies	2,600	363	2,237	1,577
Conferences and workshops	1,600	1,017	583	375
Memberships/dues/mileage	1,300	933	367	1,241
Equipment and software	750	739	11	730
Total Supervisor's Office	18,778	15,802	2,976	15,894
Township Clerk:				
Salaries and wages:				
Clerk	18,984	18,962	22	18,984
Deputy clerk	6,000	4,127	1,873	3,723
Total salaries and wages	24,984	23,089	1,895	22,707
Payroll taxes	1,935	1,326	609	562
Retirement contributions	2,750	2,545	205	2,461
Office supplies	500	68	432	232
Equipment and software	700	453	247	
Conferences and workshops	1,000	300	700	36
Memberships/dues/mileage	750	861	(111)	-
Total Township Clerk	32,619	28,642	3,977	25,998
Board of Review:				
Fees and per diem	1,700	1,537	163	1,136
Payroll taxes	150	118	32	87
Printing and publishing	125	173	(48)	68
Miscellaneous	50	110	(60)	-
Total Board of Review	\$ 2,025	\$ 1,938	\$ 87	\$ 1,291

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE ACTUAL TOTALS FROM JUNE 30, 2004)

	THE YEAR ENDED JUNE 30, 2005			2004 ACTUAL
	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	
EXPENDITURES: (Continued)				
Current: (Continued)				
General Government - (Continued)				
Township Treasurer:				
Salaries and wages:				
Treasurer	\$ 18,984	\$ 18,984	\$ -	\$ 18,984
Deputy	6,000	6,403	(403)	7,159
Total salaries and wages	24,984	25,387	(403)	26,143
Payroll taxes	1,935	765	1,170	825
Retirement contribution	2,750	2,616	134	2,891
Office supplies	1,300	1,427	(127)	1,385
Equipment and software	-	112	(112)	845
Conferences and workshops	1,000	80	920	-
Memberships/dues/mileage	900	560	340	588
Total Township Treasurer	32,869	30,947	1,922	32,677
Assessor:				
Contract labor - Assessor	24,000	24,000	-	20,000
Insurance	1,050	-	1,050	3,158
Office supplies	-	40	(40)	95
Conferences and workshops	-	-	-	-
Memberships/dues/mileage	-	-	-	-
Equipment and software	-	-	-	-
Total Supervisor's Office	25,050	24,040	1,010	23,253
Elections:				
Contract labor - Elections	3,000	3,574	(574)	1,675
Payroll taxes	250	-	250	-
Office supplies	600	106	494	935
Professional fees	2,000	1,827	173	9
Printing and publishing	350	81	269	29
Miscellaneous	300	111	189	99
Equipment and software	200	-	200	-
Total Elections	\$ 6,700	\$ 5,699	\$ 1,001	\$ 2,747

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE ACTUAL TOTALS FROM JUNE 30, 2004)

	THE YEAR ENDED JUNE 30, 2005			2004 ACTUAL
	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	
EXPENDITURES: (Continued)				
Current: (Continued)				
General Government - (Continued)				
Township Hall & Grounds:				
Salaries and wages	\$ 2,000	\$ 2,127	\$ (127)	\$ 2,114
Payroll taxes	150	163	(13)	162
Retirement contribution	200	240	(40)	242
Insurance and bonds	1,000	2,000	(1,000)	700
Telephone and internet	2,000	2,425	(425)	2,480
Utilities	3,000	3,238	(238)	2,884
Repairs and maintenance	1,500	589	911	887
Mowing and snowplowing	1,500	1,506	(6)	1,433
Equipment under \$500	500	60	440	-
Building repairs	1,000	363	637	-
Total Township Hall & Grounds	12,850	12,711	139	10,902
Cemetery Operations:				
Salaries and wages	2,014	1,984	30	1,961
Payroll taxes	450	290	160	677
Retirement contribution	1,000	424	576	755
Mowing and cleaning	6,000	5,368	632	5,413
Markers and bases	1,000	718	282	2,243
Grave openings	2,780	925	1,855	4,100
Insurance and bonds	800	600	200	600
Mileage and miscellaneous	150	214	(64)	28
Repairs and maintenance	750	161	589	520
Operating supplies	200	-	200	-
Equipment under \$500	100	-	100	-
Total Cemetery Operations	\$ 15,244	\$ 10,684	\$ 4,560	\$ 16,297

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE ACTUAL TOTALS FROM JUNE 30, 2004)

	THE YEAR ENDED JUNE 30, 2005			2004 ACTUAL
	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	
EXPENDITURES: (Continued)				
Current: (Continued)				
General Government - (Continued)				
Masonic Lodge and Grounds:				
Salaries and wages	\$ 250	\$ -	\$ 250	\$ -
Payroll taxes	25	-	25	-
Retirement contribution	40	-	40	-
Insurance	700	-	700	700
Utilities	1,500	1,075	425	1,101
Building repairs/improvements/equipment	2,000	1,019	981	471
Mowing/snowplowing	300	281	19	361
Total Masonic Lodge & Grounds	4,815	2,375	2,440	2,633
 Total General Government	 150,950	 132,838	 18,112	 131,692
 Public Safety:				
Fire Department:				
Salaries and wages	34,204	35,455	(1,251)	23,942
Payroll taxes	1,000	2,200	(1,200)	1,375
Retirement contributions	2,000	1,348	652	1,463
Operating supplies - Gas & oil	2,000	1,521	479	1,525
Mowing and snowplowing	600	662	(62)	606
Insurance	8,000	8,868	(868)	6,841
Firefighter's medical expense	2,500	307	2,193	406
Telephone/internet	1,200	1,027	173	1,100
Memberships/dues/mileage	1,200	476	724	1,016
Public utilities	2,750	2,047	703	1,962
Education and training	2,000	1,128	872	2,140
Repairs and maintenance - Building	2,000	1,845	155	458
Radio maintenance	700	205	495	438
Vehicle maintenance	5,500	2,650	2,850	3,278
Miscellaneous	700	935	(235)	392
Building improvements and additions	1,000	189	811	-
Equipment	5,000	456	4,544	616
Expendable supplies	2,500	2,223	277	631
Equipment maintenance	1,800	888	912	1,085
Total Fire Department	\$ 76,654	\$ 64,430	\$ 12,224	\$ 49,274

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE ACTUAL TOTALS FROM JUNE 30, 2004)

	THE YEAR ENDED JUNE 30, 2005			2004 ACTUAL
	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	
EXPENDITURES: (Continued)				
Current: (Continued)				
Zoning and Planning:				
Salaries and wages	\$ 7,500	\$ 5,667	\$ 1,833	\$ 7,934
Payroll Taxes	750	273	477	291
Retirement contribution	1,000	-	1,000	710
Region 2 planning fees	1,000	1,230	(230)	1,242
Conferences and workshops	400	-	400	-
Total Zoning and Planning	10,650	7,170	3,480	10,177
Public Works:				
Highways and Streets:				
Chloride	3,900	3,482	418	3,874
Road signs	-	-	-	-
Road construction	62,500	62,500	-	47,701
Total Highways and Streets	66,400	65,982	418	51,575
Street Lights - Utilities	1,000	851	149	842
Total Public Works	67,400	66,833	567	52,417
Other Functions:				
Emergency disaster	1,000	-	1,000	-
Miscellaneous	1,000	148	852	172
Total Other Functions	2,000	148	1,852	172
Capital Outlay:				
Township Hall & Grounds	-	3,100	(3,100)	4,103
Masonic Lodge	-	-	-	-
Cemetery	-	-	-	-
Fire Department	-	-	-	13,460
Total Capital Outlay	-	3,100	(3,100)	17,563
Total expenditures	366,462	326,679	39,783	324,079
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (37,419)	\$ (359)	\$ 37,060	\$ 11,996

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE ACTUAL TOTALS FROM JUNE 30, 2004)

	THE YEAR ENDED JUNE 30, 2005			2004 ACTUAL
	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	
OTHER FINANCING (USES) -				
Transfers in (out):				
Improvement Revolving Fund	\$ 13,858	\$ 12,500	\$ (1,358)	\$ (8,000)
Building Department Fund	-	-	-	(8,000)
Fire Fund	-	-	-	-
Total Transfers In (Out)	13,858	12,500	(1,358)	(16,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND (USES)	(23,561)	12,141	35,702	(4,004)
FUND BALANCE - Beginning of year	173,434	173,434	-	177,438
FUND BALANCE - End of year	<u>\$ 149,873</u>	<u>\$ 185,575</u>	<u>\$ 35,702</u>	<u>\$ 173,434</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
INDIVIDUAL FUND FINANCIAL STATEMENTS
FIRE EQUIPMENT FUND

LIBERTY TOWNSHIP
SPECIAL REVENUE FUNDS - FIRE EQUIPMENT FUND
BALANCE SHEET
JUNE 30, 2005
(WITH COMPARATIVE TOTALS FROM JUNE 30, 2004)

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 7,237	\$ 129,769
Investments	18,573	18,029
Accounts receivable	8,217	7,971
Due from other funds	7,114	7,114
Due from other governments	-	1,840
	<hr/>	<hr/>
Total assets	<u>\$ 41,141</u>	<u>\$ 164,723</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
Accrued payroll	-	-
Due to other funds	7,209	7,209
Due to other governments	-	-
Deferred revenue	-	-
	<hr/>	<hr/>
Total liabilities	<u>7,209</u>	<u>7,209</u>
<u>FUND EQUITY</u>		
Fund balance - Designated	17,486	-
Fund balance - Unreserved	16,446	157,514
	<hr/>	<hr/>
Total fund equity	<u>33,932</u>	<u>157,514</u>
	<hr/>	<hr/>
Total liabilities and fund equity	<u>\$ 41,141</u>	<u>\$ 164,723</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
SPECIAL REVENUE FUNDS - FIRE EQUIPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE TOTALS FROM JUNE 30, 2004)

	2005			2004
	BUDGET	ACTUAL	VARIANCE	ACTUAL
REVENUES:				
Intergovernmental:				
Federal grants	\$ -	\$ -	\$ -	\$ 10,006
State grants	-	-	-	1,840
Total intergovernmental	-	-	-	11,846
Interest	1,265	993	(272)	1,579
Other - Impact fee	20,000	32,871	12,871	28,569
Total revenues	21,265	33,864	12,599	41,994
EXPENDITURES:				
Current:				
General Government-				
Miscellaneous	-	31	(31)	61
Public Safety-				
Supplies	-	-	-	-
Total current expenditures	-	31	(31)	61
Capital Outlay	-	232,415	(232,415)	15,276
Total expenditures	-	232,446	(232,446)	15,337
EXCESS OF REVENUES OVER EXPENDITURES	21,265	(198,582)	245,045	26,657
OTHER FINANCING SOURCES (USES):				
Proceeds from long-term debt	-	75,000	(75,000)	-
Operating transfers in	-	-	-	9,112
Operating transfers out	-	-	-	-
TRANSFERS FROM OTHER FUNDS	-	75,000	75,000	9,112
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	21,265	(123,582)	320,045	35,769
FUND BALANCE - Beginning of year	157,514	157,514	-	121,745
FUND BALANCE - End of year	\$ 178,779	\$ 33,932	\$ 320,045	\$ 157,514

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
INDIVIDUAL FUND FINANCIAL STATEMENTS

CENTRAL COMPLEX FUND

LIBERTY TOWNSHIP
SPECIAL REVENUE FUNDS - CENTRAL COMPLEX FUND
BALANCE SHEET
JUNE 30, 2005
(WITH COMPARATIVE TOTALS FROM JUNE 30, 2004)

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 19,122	\$ 66,333
Investments	64,377	-
Accounts receivable	4,109	3,986
Due from other funds	645	645
Due from other governments	-	-
	<hr/>	<hr/>
Total assets	<u>\$ 88,253</u>	<u>\$ 70,964</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
Accrued payroll	-	-
Due to other funds	-	-
Due to other governments	-	-
Deferred revenue	-	-
	<hr/>	<hr/>
Total liabilities	<hr/>	<hr/>
<u>FUND EQUITY</u>		
Fund balance - Designated	88,253	70,964
Fund balance - Unreserved	-	-
	<hr/>	<hr/>
Total fund equity	<u>88,253</u>	<u>70,964</u>
	<hr/>	<hr/>
Total liabilities and fund equity	<u>\$ 88,253</u>	<u>\$ 70,964</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
SPECIAL REVENUE FUNDS - CENTRAL COMPLEX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE TOTALS FROM JUNE 30, 2004)

	BUDGET	2005 ACTUAL	VARIANCE	2004 ACTUAL
REVENUES:				
Interest	\$ 573	\$ 854	\$ 281	\$ 448
Other - Impact Fee	10,000	16,435	6,435	14,285
Total revenues	10,573	17,289	6,716	14,733
EXPENDITURES:				
Current: General Government-				
Miscellaneous	-	-	-	-
Total expenditures	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	10,573	17,289	6,716	14,733
TRANSFERS TO OTHER FUNDS	-	-	-	-
EXCESS OF REVENUES AND TRANSFERS IN OVER EXPENDITURES	10,573	17,289	6,716	14,733
FUND BALANCE - Beginning of year	70,964	70,964	-	56,231
FUND BALANCE - End of year	\$ 81,537	\$ 88,253	\$ 6,716	\$ 70,964

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
INDIVIDUAL FUND FINANCIAL STATEMENTS
IMPROVEMENT REVOLVING FUND

LIBERTY TOWNSHIP
SPECIAL REVENUE FUNDS - IMPROVEMENT REVOLVING FUND
BALANCE SHEET
JUNE 30, 2005
(WITH COMPARATIVE TOTALS FROM JUNE 30, 2004)

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,856	\$ 1,132
Investments	38,546	38,289
Accounts receivable	-	-
Due from other funds	13,822	26,137
Due from other governments	-	-
	<hr/>	<hr/>
Total assets	<u>\$ 54,224</u>	<u>\$ 65,558</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
Accrued payroll	-	-
Due to other funds	-	-
Due to other governments	-	-
Deferred revenue	-	-
	<hr/>	<hr/>
Total liabilities	<hr/> -	<hr/> -
<u>FUND EQUITY</u>		
Fund balance - Designated	-	-
Fund balance - Unreserved	54,224	65,558
	<hr/>	<hr/>
Total fund equity	<u>54,224</u>	<u>65,558</u>
	<hr/>	<hr/>
Total liabilities and fund equity	<u>\$ 54,224</u>	<u>\$ 65,558</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
SPECIAL REVENUE FUNDS - IMPROVEMENT REVOLVING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE TOTALS FROM JUNE 30, 2004)

	BUDGET	2005 ACTUAL	VARIANCE	2004 ACTUAL
REVENUES:				
Interest	\$ -	\$ 1,166	\$ 1,166	\$ 1,210
Other	-	-	-	-
Total revenues	-	1,166	1,166	1,210
EXPENDITURES:				
Current: General Government-				
Miscellaneous	-	-	-	-
Total expenditures	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	-	1,166	1,166	1,210
TRANSFERS (TO) FROM OTHER FUNDS	-	(12,500)	(12,500)	8,000
EXCESS OF REVENUES AND TRANSFERS IN OVER EXPENDITURES	-	(11,334)	(11,334)	9,210
FUND BALANCE - Beginning of year	65,558	65,558	-	56,348
FUND BALANCE - End of year	\$ 65,558	\$ 54,224	\$ (11,334)	\$ 65,558

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP

INDIVIDUAL FUND FINANCIAL STATEMENTS

BUILDING DEPARTMENT FUND

LIBERTY TOWNSHIP
SPECIAL REVENUE FUNDS - BUILDING DEPARTMENT FUND
BALANCE SHEET
JUNE 30, 2005
(WITH COMPARATIVE TOTALS FROM JUNE 30, 2004)

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 33,091	\$ 24,813
Investments	-	-
Accounts receivable	-	-
Due from other funds	-	-
Due from other governments	-	-
	<hr/>	<hr/>
Total assets	<u>\$ 33,091</u>	<u>\$ 24,813</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 1,717	\$ 3,836
Accrued payroll	2,839	1,799
Due to other funds	5,523	6,207
Due to other governments	-	-
Deferred revenue	5,000	-
	<hr/>	<hr/>
Total liabilities	<u>15,079</u>	<u>11,842</u>
<u>FUND EQUITY</u>		
Fund balance - Designated	-	-
Fund balance - Unreserved	18,012	12,971
	<hr/>	<hr/>
Total fund equity	<u>18,012</u>	<u>12,971</u>
	<hr/>	<hr/>
Total liabilities and fund equity	<u>\$ 33,091</u>	<u>\$ 24,813</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
SPECIAL REVENUE FUNDS - BUILDING DEPARTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE TOTALS FROM JUNE 30, 2004)

		2005		2004
	BUDGET	ACTUAL	VARIANCE	ACTUAL
REVENUES:				
Licenses and permits:				
Site reviews	\$ 3,750	\$ 4,200	\$ 450	\$ 5,350
Administration fee	10,000	13,400	3,400	15,360
Building permits	10,640	15,550	4,910	16,900
Electrical permits	4,700	8,250	3,550	9,017
Mechanical permits	4,200	5,900	1,700	6,450
Plumbing permits	2,700	5,350	2,650	5,316
Miscellaneous	-	725	725	90
Total licenses and permits	35,990	53,375	17,385	58,483
Interest	-	132	132	1
Total revenues	35,990	53,507	17,517	58,484
EXPENDITURES:				
Current: Public Safety-				
Building Inspection:				
Inspector wages	10,000	13,474	(3,474)	13,572
Administrative wages	7,800	7,575	225	4,938
Payroll taxes	1,378	1,651	(273)	1,426
Retirement contribution	1,958	2,318	(360)	1,950
Office supplies	-	776	(776)	199
Membership, dues, mileage	-	400	(400)	-
Conferences	700	352	348	590
Miscellaneous	-	5	(5)	203
Total Building Inspector	21,836	26,551	(4,715)	22,878
Electrical Inspection:				
Inspector fees	3,000	7,450	(4,450)	7,406
Office supplies	-	33	(33)	33
Conferences	200	100	100	-
Total Electrical Inspector	\$ 3,200	\$ 7,583	\$ (4,383)	\$ 7,439

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
SPECIAL REVENUE FUNDS - BUILDING DEPARTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE TOTALS FROM JUNE 30, 2004)

	2005			2004
	BUDGET	ACTUAL	VARIANCE	ACTUAL
EXPENDITURES: (Continued)				
Current: Public Safety- (Continued)				
Plumbing Inspection:				
Inspector fees	\$ 2,600	\$ 5,573	\$ (2,973)	\$ 9,529
Conferences	200	200	-	-
Total Plumbing Inspector	2,800	5,773	(2,973)	9,529
Mechanical Inspection:				
Inspector fees	3,240	3,927	(687)	280
Conferences	200	-	200	-
Total Mechanical Inspector	3,440	3,927	(487)	280
Site Reviews:				
Wages	2,700	3,975	(1,275)	3,204
Payroll taxes	209	209	-	118
Retirement	297	298	(1)	261
Total Site Reviews	3,206	4,482	(1,276)	3,583
Total expenditures - public safety	34,482	48,316	(13,834)	43,709
Capital Outlay	150	150	-	6,154
Total expenditures	34,632	48,466	(13,834)	49,863
EXCESS OF REVENUES OVER EXPENDITURES	1,358	5,041	3,683	8,621
TRANSFERS FROM OTHER FUNDS	-	-	-	-
EXCESS OF REVENUES AND TRANSFERS IN OVER EXPENDITURES	1,358	5,041	3,683	8,621
FUND BALANCE - Beginning of year	12,971	12,971	-	4,350
FUND BALANCE - End of year	\$ 14,329	\$ 18,012	\$ 3,683	\$ 12,971

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
INDIVIDUAL FUND FINANCIAL STATEMENTS
SEWER ENTERPRISE FUND

LIBERTY TOWNSHIP
ENTERPRISE FUNDS - SEWER FUND
STATEMENT OF NET ASSETS
JUNE 30, 2005
(WITH COMPARATIVE TOTALS FROM JUNE 30, 2004)

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 68,962	\$ 72,457
Assessments receivable - Current portion	37,379	45,980
Due from other funds	3,520	-
Total current assets	<u>109,861</u>	<u>118,437</u>
Noncurrent Assets:		
Assessments receivable - Noncurrent portion	594,646	665,300
Deposits with County	1,213,771	253,637
Total noncurrent assets	<u>1,808,417</u>	<u>918,937</u>
 Total assets	 <u>1,918,278</u>	 <u>1,037,374</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	-	-
Capital lease - Current portion	55,875	-
Total current liabilities	<u>55,875</u>	<u>-</u>
Noncurrent Liabilities:		
Capital lease - Noncurrent portion	815,775	-
Total noncurrent liabilities	<u>815,775</u>	<u>-</u>
 Total liabilities	 <u>871,650</u>	 <u>-</u>
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	-	-
Restricted for Debt Service	1,046,628	1,037,374
Unrestricted	-	-
 Total net assets	 <u>\$ 1,046,628</u>	 <u>\$ 1,037,374</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
ENTERPRISE FUNDS - SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS
THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE TOTALS FROM JUNE 30, 2004)

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Sewage disposal services	\$ -	\$ -
Penalties and interest charges	-	-
Total operating revenues	<u>-</u>	<u>-</u>
OPERATING EXPENSES:		
Personal services	-	-
Contractual services	-	-
Depreciation	-	-
Total operating expenses	<u>-</u>	<u>-</u>
OPERATING INCOME (LOSS)	<u>-</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	629	243
Miscellaneous expense	(15)	(45)
Total nonoperating revenue (expense)	<u>614</u>	<u>198</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS IN (OUT)	<u>614</u>	<u>198</u>
Capital contributions	8,640	-
Transfers In (Out)	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>9,254</u>	<u>198</u>
NET ASSETS - Beginning of year	<u>1,037,374</u>	<u>1,037,176</u>
NET ASSETS - End of year	<u><u>\$ 1,046,628</u></u>	<u><u>\$ 1,037,374</u></u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP

INDIVIDUAL FUND FINANCIAL STATEMENTS

FIDUCIARY FUNDS:

PENSION TRUST FUND BALANCE SHEET

PENSION TRUST FUND STATEMENT OF CHANGES IN NET ASSETS

AGENCY FUNDS - COMBINING BALANCE SHEET

AGENCY FUNDS - STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

LIBERTY TOWNSHIP
FIDUCIARY FUNDS - PENSION TRUST FUND
BALANCE SHEET
JUNE 30, 2005
(WITH COMPARATIVE TOTALS FROM JUNE 30, 2004)

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	\$ -
Investments	63,449	80,496
Accounts receivable	12,885	12,962
Due from other funds	-	-
Due from other governments	-	-
Fixed assets	-	-
	<hr/>	<hr/>
Total assets	<u>\$ 76,334</u>	<u>\$ 93,458</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
Accrued payroll	-	-
Due to other funds	-	-
Due to other governments	-	-
Wages payable	-	-
	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>-</u>
<u>NET ASSETS</u>		
Net assets - Reserved	76,334	93,458
Net assets - Unreserved	<hr/>	<hr/>
	<u>76,334</u>	<u>93,458</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 76,334</u>	<u>\$ 93,458</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
FIDUCIARY FUNDS - PENSION TRUST FUND
STATEMENT OF CHANGES IN NET ASSETS
THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE TOTALS FROM JUNE 30, 2004)

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Interest and investment earnings	\$ 3,982	\$ 4,811
Employer contributions	12,885	12,962
Employee contributions	-	-
Total operating revenues	<u>16,867</u>	<u>17,773</u>
OPERATING EXPENSES:		
Administration	-	-
Benefits	33,991	3,305
Refunds	-	-
Total operating expenses	<u>33,991</u>	<u>3,305</u>
EXCESS OF REVENUES OVER EXPENSES	(17,124)	14,468
NET ASSETS - Beginning of year	<u>93,458</u>	<u>78,990</u>
NET ASSETS - End of year	<u><u>\$ 76,334</u></u>	<u><u>\$ 93,458</u></u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
FIDUCIARY FUNDS - AGENCY FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2005
(WITH COMPARATIVE TOTALS FROM JUNE 30, 2004)

	EMPLOYEE WITHHOLDING FUND	CURRENT TAX FUND	TOTAL 2005	TOTAL 2004
<u>ASSETS</u>				
Cash and cash equivalents	\$ 7,011	\$ 574	\$ 7,585	\$ 6,377
Investments	-	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	12	-	12	574
Due from other governments	-	-	-	-
Total assets	<u>\$ 7,023</u>	<u>\$ 574</u>	<u>\$ 7,597</u>	<u>\$ 6,951</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	298	487	785	329
Due to other governments	6,725	87	6,812	6,622
Deferred revenue	-	-	-	-
Total liabilities	<u>7,023</u>	<u>574</u>	<u>7,597</u>	<u>6,951</u>
<u>FUND EQUITY</u>				
Fund balance - Reserved	-	-	-	-
Fund balance - Unreserved	-	-	-	-
Total fund equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 7,023</u>	<u>\$ 574</u>	<u>\$ 7,597</u>	<u>\$ 6,951</u>

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP
FIDUCIARY FUNDS - AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
THE YEAR ENDED JUNE 30, 2005

EMPLOYEE TAX WITHHOLDING FUND				
	BALANCE 07/01/04	ADDITIONS	DEDUCTIONS	BALANCE 06/30/05
<u>ASSETS</u>				
Cash and cash equivalents	\$ 340	\$ 25,446	\$ 18,775	\$ 7,011
Investments	-	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	-	12	-	12
Due from other governments	-	-	-	-
Total assets	<u>\$ 340</u>	<u>\$ 25,458</u>	<u>\$ 18,775</u>	<u>\$ 7,023</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	277	21	-	298
Due to other governments	63	25,437	18,775	6,725
Deferred revenue	-	-	-	-
Total liabilities	<u>340</u>	<u>25,458</u>	<u>18,775</u>	<u>7,023</u>
<u>FUND EQUITY</u>				
Fund balance - Reserved	-	-	-	-
Fund balance - Unreserved	-	-	-	-
Total fund equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 340</u>	<u>\$ 25,458</u>	<u>\$ 18,775</u>	<u>\$ 7,023</u>

The notes to the financial statements are an integral part of this statement.

CURRENT TAX FUND				
BALANCE 07/01/04	ADDITIONS	DEDUCTIONS	BALANCE 06/30/05	
\$ 6,037	\$ 1,521,050	\$ 1,526,513	\$ 574	
-	-	-	-	
-	-	-	-	
574	(574)	-	-	
-	-	-	-	
\$ 6,611	\$ 1,520,476	\$ 1,526,513	\$ 574	
\$ -	\$ -	\$ -	\$ -	
-	-	-	-	
52	435	-	487	
6,559	1,520,041	1,526,513	87	
-	-	-	-	
6,611	1,520,476	1,526,513	574	
-	-	-	-	
-	-	-	-	
-	-	-	-	
\$ 6,611	\$ 1,520,476	\$ 1,526,513	\$ 574	

The notes to the financial statements are an integral part of this statement.

LIBERTY TOWNSHIP

AMORTIZATION SCHEDULES

INSTALLMENT PURCHASE AGREEMENT

ROUND/FARWELL LAKE CAPITAL LEASE PAYABLE

LIBERTY TOWNSHIP
INSTALLMENT PURCHASE AGREEMENT - WOLVERINE FIRE APPARATUS
ASSIGNED TO COMERICA BANK

DATE	RATE	PAYMENT AMOUNT	DEBT SERVICE REQUIREMENTS		PRINCIPAL BALANCE	FISCAL YEAR
			PRINCIPAL	INTEREST		
04/27/05	3.90%	\$ 75,000.00	\$ -	\$ -	\$ 75,000.00	06/30/05
08/10/05	3.90%	4,157.84	3,304.72	853.13	71,695.29	06/30/06
11/10/05	3.90%	4,157.84	3,443.28	714.56	68,252.01	
02/10/06	3.90%	4,157.84	3,477.59	680.25	64,774.41	
05/10/06	3.90%	4,157.84	3,533.31	624.53	61,241.11	
		16,631.36	13,758.89	2,872.47		
08/10/06	3.90%	4,157.84	3,547.47	610.37	57,693.64	06/30/07
11/10/06	3.90%	4,157.84	3,582.83	575.01	54,110.81	
02/10/07	3.90%	4,157.84	3,618.54	539.30	50,492.27	
05/10/07	3.90%	4,157.84	3,671.01	486.83	46,821.26	
		16,631.36	14,419.84	2,211.52		
08/10/07	3.90%	4,157.84	3,691.19	466.65	43,130.08	06/30/08
11/10/07	3.90%	4,157.84	3,727.98	429.86	39,402.10	
02/10/08	3.90%	4,157.84	3,765.13	392.71	35,636.97	
05/10/08	3.90%	4,157.84	3,810.38	347.46	31,826.59	
		16,631.36	14,994.68	1,636.68		
08/10/08	3.90%	4,157.84	3,840.64	317.20	27,985.95	06/30/09
11/10/08	3.90%	4,157.84	3,878.91	278.93	24,107.04	
02/10/09	3.90%	4,157.84	3,917.57	240.27	20,189.46	
05/10/09	3.90%	4,157.84	3,963.18	194.66	16,226.28	
		16,631.36	15,600.30	1,031.06		
08/10/09	3.90%	4,157.84	3,996.12	161.72	12,230.17	06/30/10
11/10/09	3.90%	4,157.84	4,035.95	121.89	8,194.22	
02/10/10	3.90%	4,157.84	4,076.17	81.67	4,118.05	
05/10/10	3.90%	4,157.75	4,118.05	39.70	0.00	
		16,631.27	16,226.28	404.99		
			75,000.00	8,156.71		

LIBERTY TOWNSHIP
CAPITAL LEASE PAYABLE TO JACKSON COUNTY
ROUND/FARWELL LAKES AREA SECTION

COMBINED ISSUE - LIBERTY (22.35%) AND HANOVER (77.65%) TOWNSHIPS:

DATE	RATE	AMOUNT	ANNUAL INTEREST	DEBT SERVICE REQUIREMENTS			FISCAL YEAR	PRINCIPAL BALANCE
				PRINCIPAL	INTEREST	TOTAL		
10/01/05	0.00%	\$ -	\$ -	\$ -	\$ 91,875.00			\$3,900,000.00
04/01/06	3.00%	250,000.00	7,500.00	250,000.00	68,906.25	410,781.25	06/30/06	3,650,000.00
10/01/06					65,156.25			
04/01/07	3.00%	250,000.00	7,500.00	250,000.00	65,156.25	380,312.50	06/30/07	3,400,000.00
10/01/07					61,406.25			
04/01/08	3.00%	250,000.00	7,500.00	250,000.00	61,406.25	372,812.50	06/30/08	3,150,000.00
10/01/08					57,656.25			
04/01/09	3.00%	225,000.00	6,750.00	225,000.00	57,656.25	340,312.50	06/30/09	2,925,000.00
10/01/09					54,281.25			
04/01/10	3.00%	225,000.00	6,750.00	225,000.00	54,281.25	333,562.50	06/30/10	2,700,000.00
10/01/10					50,906.25			
04/01/11	3.25%	225,000.00	7,312.50	225,000.00	50,906.25	326,812.50	06/30/11	2,475,000.00
10/01/11					47,250.00			
04/01/12	3.25%	225,000.00	7,312.50	225,000.00	47,250.00	319,500.00	06/30/12	2,250,000.00
10/01/12					43,593.75			
04/01/13	3.50%	225,000.00	7,875.00	225,000.00	43,593.75	312,187.50	06/30/13	2,025,000.00
10/01/13					39,656.25			
04/01/14	3.50%	225,000.00	7,875.00	225,000.00	39,656.25	304,312.50	06/30/14	1,800,000.00
10/01/14					35,718.75			
04/01/15	3.75%	225,000.00	8,437.50	225,000.00	35,718.75	296,437.50	06/30/15	1,575,000.00
10/01/15					31,500.00			
04/01/16	4.00%	225,000.00	9,000.00	225,000.00	31,500.00	288,000.00	06/30/16	1,350,000.00
10/01/16					27,000.00			
04/01/17	4.00%	225,000.00	9,000.00	225,000.00	27,000.00	279,000.00	06/30/17	1,125,000.00
10/01/17					22,500.00			
04/01/18	4.00%	225,000.00	9,000.00	225,000.00	22,500.00	270,000.00	06/30/18	900,000.00
10/01/18					18,000.00			
04/01/19	4.00%	225,000.00	9,000.00	225,000.00	18,000.00	261,000.00	06/30/19	675,000.00
10/01/19					13,500.00			
04/01/20	4.00%	225,000.00	9,000.00	225,000.00	13,500.00	252,000.00	06/30/20	450,000.00
10/01/20					9,000.00			
04/01/21	4.00%	225,000.00	9,000.00	225,000.00	9,000.00	243,000.00	06/30/21	225,000.00
10/01/21					4,500.00			
04/01/22	4.00%	225,000.00	9,000.00	225,000.00	4,500.00	234,000.00	06/30/22	\$ -
		\$3,900,000.00	\$ 137,812.50	\$3,900,000.00	\$1,324,031.25	\$ 5,224,031.25		

LIBERTY TOWNSHIP
CAPITAL LEASE PAYABLE TO JACKSON COUNTY
ROUND/FARWELL LAKES AREA SECTION

LIBERTY TOWNSHIP'S SHARE: (120 REUs/535Total REUs = 22.35%)

DATE	RATE	AMOUNT	ANNUAL INTEREST	DEBT SERVICE REQUIREMENTS			FISCAL YEAR	PRINCIPAL BALANCE
				PRINCIPAL	INTEREST	TOTAL		
10/01/05	0.00%	\$ -	\$ -	\$ -	\$ 20,534.06			\$ 871,650.00
04/01/06	3.00%	55,875.00	1,676.25	55,875.00	15,400.55	91,809.61	06/30/06	815,775.00
10/01/06		-	-		14,562.42			
04/01/07	3.00%	55,875.00	1,676.25	55,875.00	14,562.42	84,999.84	06/30/07	759,900.00
10/01/07		-	-		13,724.30			
04/01/08	3.00%	55,875.00	1,676.25	55,875.00	13,724.30	83,323.59	06/30/08	704,025.00
10/01/08		-	-		12,886.17			
04/01/09	3.00%	50,287.50	1,508.63	50,287.50	12,886.17	76,059.84	06/30/09	653,737.50
10/01/09		-	-		12,131.86			
04/01/10	3.00%	50,287.50	1,508.63	50,287.50	12,131.86	74,551.22	06/30/10	603,450.00
10/01/10		-	-		11,377.55			
04/01/11	3.25%	50,287.50	1,634.34	50,287.50	11,377.55	73,042.59	06/30/11	553,162.50
10/01/11		-	-		10,560.38			
04/01/12	3.25%	50,287.50	1,634.34	50,287.50	10,560.38	71,408.25	06/30/12	502,875.00
10/01/12		-	-		9,743.20			
04/01/13	3.50%	50,287.50	1,760.06	50,287.50	9,743.20	69,773.91	06/30/13	452,587.50
10/01/13		-	-		8,863.17			
04/01/14	3.50%	50,287.50	1,760.06	50,287.50	8,863.17	68,013.84	06/30/14	402,300.00
10/01/14		-	-		7,983.14			
04/01/15	3.75%	50,287.50	1,885.78	50,287.50	7,983.14	66,253.78	06/30/15	352,012.50
10/01/15		-	-		7,040.25			
04/01/16	4.00%	50,287.50	2,011.50	50,287.50	7,040.25	64,368.00	06/30/16	301,725.00
10/01/16		-	-		6,034.50			
04/01/17	4.00%	50,287.50	2,011.50	50,287.50	6,034.50	62,356.50	06/30/17	251,437.50
10/01/17		-	-		5,028.75			
04/01/18	4.00%	50,287.50	2,011.50	50,287.50	5,028.75	60,345.00	06/30/18	201,150.00
10/01/18		-	-		4,023.00			
04/01/19	4.00%	50,287.50	2,011.50	50,287.50	4,023.00	58,333.50	06/30/19	150,862.50
10/01/19		-	-		3,017.25			
04/01/20	4.00%	50,287.50	2,011.50	50,287.50	3,017.25	56,322.00	06/30/20	100,575.00
10/01/20		-	-		2,011.50			
04/01/21	4.00%	50,287.50	2,011.50	50,287.50	2,011.50	54,310.50	06/30/21	50,287.50
10/01/21		-	-		1,005.75			
04/01/22	4.00%	50,287.50	2,011.50	50,287.50	1,005.75	52,299.00	06/30/22	\$ -
		\$ 871,650.00	\$ 30,801.09	\$ 871,650.00	\$ 295,920.98	\$ 1,167,570.98		

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MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

MANAGEMENT LETTER

To the Board of Trustees
Liberty Township
Clarklake, Michigan

In planning and performing our audits of the general purpose financial statements of Liberty Township, for the years ended June 30, 2005 and 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control. We noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters that come to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Liberty Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Reportable Conditions:

05-1 Bank Reconciliation Procedures:

Finding: When we began field work for our audit, the General Fund bank account had not been reconciled to the general ledger for several months. The Treasurer has been reconciling his manual check register to the bank, but the reconciliation between the bank statement and general ledger cash account had not been performed. As the general ledger represents the official accounting records of the Township, it is imperative that the bank statement be reconciled with the general ledger cash balance for all funds and accounts as soon as practical.

Recommendation: The information necessary to reconcile the bank balance to the general ledger (the bank statement and a copy of the Treasurer's manual reconciliation) should be provided to the staff promptly each month, so that any necessary corrections can be recorded in the general ledger. The unreconciled difference as of June 30, 2005 totaled over \$149,000 (the general ledger balance was \$14,822.62; the correct, reconciled balance was \$163,291.77). This can be extremely significant in a time when the Township is relying on its financial statements for important budgetary decisions in these tough fiscal times.

Reportable Conditions: (Continued)

05-2 Restricted Fund Accounting Procedures:

Finding: As we began our audit in November 2005, the May and June 2005 activity had not been posted to the Township's official general ledger for the Fire Equipment, Central Complex, Current Tax, and Employee Withholding Funds (special revenue and agency funds). This has been a continual concern, and was noted in our 2001 and 2003 audits.

Recommendation: The Township Treasurer needs to take a serious look at revising the recordkeeping methods he is currently using. Currently, there is an extensive amount of time involved in maintaining manual records. While we found them to be extremely accurate in all cases, the delay in processing information in the official accounting records of the Township is a serious concern. Consideration should be given to relying on the Township's general ledger for bank reconciliations, and other instances currently requiring manual monitoring.

We also noted other matters during our audit, which we feel merit some Board attention. These issues are not as critical as the reportable conditions addressed above, and in some instances are intended to report positive steps taken during the year to improve the accounting at the Township.

Other Matters for Consideration:

1. Auditor Selection:

The late delivery of the audit is not entirely due to the Township issues noted in this letter. The audit firm did not begin field work until November; when combined with the additional work necessary to complete the audit, it was not possible to complete the audit within the timelines required by the State of Michigan. While we have enjoyed our long working relationship with the Township, and certainly wish to continue it, we feel an obligation to recommend that the Township consider making a change in its audit firm.

2. Late Payroll Tax Payments:

Throughout 2004 and 2005, there were delays in submitting tax payments to the federal government. As a result of this, the Township has paid penalties and interest, and continues to receive notices from the Internal Revenue Service.

The Township needs to improve its process for the depositing of tax dollars, and the preparation of quarterly tax reports. We believe that many of these needed improvements are already in place, but this area should be carefully monitored.

Other Matters for Consideration: (Continued)

3. Cash Basis Accounting Conversion:

Currently, the Township maintains its accounting records on the cash basis, and provides the auditor information necessary to convert to the modified accrual method of accounting required for reporting to the State of Michigan.

Using the cash basis of accounting for internal purposes, without reversing the prior year accruals established during the audit, is acceptable as long as the Board is aware of the differences. For example, increases (or decreases) in state shared revenue would not be noticed as quickly using cash basis accounting. As another example, the Township's pension contribution is paid once a year; this payment in July is actually an expense of the previous fiscal year.

The State requires that the Township accrue the June (received in early July) and August (received in early September) state shared revenue distributions as revenue in the fiscal year ended June 30. When the conversion to modified accrual reporting is done, the impact can be dramatic. For example, cash basis statements for the year ended June 30, 2005 reported state shared revenue of \$197,768 - under the modified accrual basis the revenue was \$195,989. Similar swings can occur due to accounts payable and salary accruals.

Recommendation: The Township should monitor the projected state revenue sharing distributions to determine the budgetary impact on the current year. The adjustments to convert the cash basis records to the modified accrual basis should be booked prior to closing the fiscal year's general ledger.

4. Payroll Accounting:

The Township has made several improvements in its accounting. One area has been in the area of payroll. The Township Clerk has done a good job of using the new accounting system for payroll. There are still some refinements, however, which need to be made in order to have the payroll accounting handled correctly.

The current payroll set up is crediting the departmental expenses for the employer match liability. The employer match (expense) is currently being posted to a distribution account on the balance sheet.

This set up should be corrected. The liabilities should all be credited to the Payroll Deductions liability account, 101-000-231.000. The expense should be cleared out of the distribution account (by crediting it) and spread to the appropriate expense account (with a debit entry). This should be allocated based on gross payroll. These changes will correct the current posting of credits to expense accounts in the general ledger.

Other Matters for Consideration: (Continued)

5. Sewer Fund Accounting:

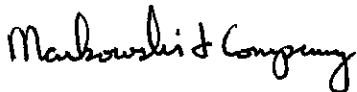
The Township's general ledger for the Sewer Fund should include all its assets and liabilities, rather than just cash as is presently the case. Adjustments have been proposed to record the assessments receivable and capital lease payable to offer a complete picture of this fund during its early stages.

6. Fiscal Condition of the Township:

In light of the slow economy and cuts in the Township main revenue source (state revenue sharing payments), it is appropriate to commend the Board for their prudence during these tough times. The Township has experienced small deficits during the previous years, with a small surplus in 2005 (due primarily to reduced legal costs and not making transfers to the Improvement Revolving and Fire Equipment Funds) but maintains a strong fund balance in its General Fund.

While neighboring townships have been forced to dramatically reduce the services offered to residents, this has not occurred in Liberty Township. One area that does warrant close attention is the Fire Department expenses. General Fund spending on the department increased from an average of \$50,000 per year to just under \$65,000 in 2005. In light of stagnant or even declining revenues, this should be carefully monitored in the future.

This report is intended solely for the information and use of the Liberty Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.



MARKOWSKI & COMPANY CPAs

February 22, 2006